

UTILITIES SERVICE BOARD SPECIAL MEETING
July 24, 2006

UTILITIES SERVICE BOARD MEETINGS ARE RECORDED ELECTRONICALLY OR STENOGRAPHICALLY AND ARE AVAILABLE DURING REGULAR BUSINESS HOURS IN THE OFFICE OF THE DIRECTOR OF UTILITIES.

Board President Swafford called the regular meeting of the Utilities Service Board to order at 5:02 p.m. The meeting was held in Conference Room 100B at the Indiana University Research Park at 501 North Morton Street in Bloomington, Indiana.

Board members present: Tom Swafford, Susan Sandberg, Julie Roberts, Tim Henke, Sam Vaught, and John Whikehart. Staff members present: Patrick Murphy, Michael Horstman, Michael Trexler, John Langley, Jane Fleig, Tom Staley, Byron Reinhold, Julie Martindale, Adam Wason, Mike Hicks, Mike Bengtson, Nathan Schulte, and Adrian Reid, City Engineer. Others present: Ben Beard representing Gentry Estates, Mark Menefee representing Indiana University, Bob Madden representing Lake Lemon Conservancy District, and Margaret Fette representing the Monroe County Libertarian Party.

Board President Swafford announced that, with the Board's approval, he would like to change the order of the agenda because he had invited Kevin Robling, Corporate Counsel, to update the Board regarding the newspaper articles and the information provided at the meeting called by the Mayor with reference to Lake Monroe. Mr. Robling is the chair of the committee and Mr. Swafford will serve on the committee.

MINUTES:

Board Member Whikehart moved and Board Member Sandberg seconded the motion to approve the minutes of the July 10 and July 17, 2006, meetings. Motion carried. 6 ayes, 1 member absent, (Jeff Ehman.)

CLAIMS

Board Member Vaught moved and Board Member Roberts seconded the motion to approve the claims as follows:

Claims 0690977 through 0691069 including \$189,937.95 from the Water Operations & Maintenance Fund and \$13,331.62 from the Water Construction Fund for a total of \$203,269.57 from the Water Utility; Claims 0630669 through 0630694 including \$113,590.52 from the Wastewater Operations & Maintenance Fund and \$11,337.95 from the Wastewater Construction Fund for a total of \$124,928.47 from the Wastewater Utility; and a total of \$581.47 from the Wastewater/ Stormwater Utility. Total Claims approved – \$328,779.51.

Tim Mayer arrived at this time.

Mr. Henke asked about the small reimbursements to employees. Utilities Director Murphy stated that there had been a technical error on the last payroll and direct deposits had not been made into employees' accounts on time. Individual wire transfers had been needed for everyone to be paid, and some banks charged wire transfer fees for each employee, deducted from the employees' accounts. We are reimbursing the affected employees for these fees because it was no fault of their own. The error that led to the problem has been addressed.

Regarding Claim 0690990, Board President Swafford asked on behalf of Board Member Ehman, who could not attend, why the wastewater portion (\$2,771.00) was so high relative to the water bill

(\$230.85.) Financial Analyst Michael Trexler stated that the bills are not evenly split. For instance, Dillman and Blucher are charged totally to wastewater but the Service Center is split. Mr. Swafford asked on behalf of Mr. Ehman about Claim 0630995 Jim Gordon Inc. for repairs to a fax machine. Mr. Ehman wondered if we had looked at a new machine rather than spending \$419 for repairs. Mr. Murphy stated that the fax machine had cost \$2000 new. Regarding Claim 0691014 National Waterworks for rolls of copper. Mr. Swafford asked what it was to be used for. Tom Staley answered that it was for inventory and was kept under lock and key. Regarding Claim 0691040 Duke Energy, Mr. Swafford said that Mr. Ehman thought \$113,697 seems larger than usual. Mr. Murphy stated that it was for June and July.

Motion carried. 6 ayes, 1 Member absent, (Ehman).

INFORMATION ABOUT PROPOSED PIPELINE FROM LAKE MONROE TO INDIANAPOLIS

Mr. Swafford then introduced Kevin Robling, Corporate Counsel for the City of Bloomington. A private company named Aquavisions has made a proposal to the Indianapolis Waterworks to build a quarter billion dollar, 60-mile pipeline from Lake Monroe to Indianapolis to supply them with drought protection and future water needs. This news caught our community by surprise and our immediate reaction was that Indianapolis is trying to raid our water supply. A week ago there was a meeting attended by representatives of the County Commissioners, the County Council, the City Council, the Chamber of Commerce, Indiana University, BEDC, the Utilities Service Board, Patrick Murphy, Mike Bengtson, Mayor Kruzan, and Mr. Robling.

Mr. Robling began by giving information about Lake Monroe. The lake is owned by the Army Corps of Engineers, and has been leased to the State since about 1960. We signed a 20-year contract in 2004, effective January 2005, for the right to draw 24 million gallons of raw water per day. We currently draw an average of 14 million gallons per day. We peak at times at 24 MGD and our plant capacity is more than enough for our needs right now. Aquavisions claims that the DNR told them that the lake can supply 122 MGD of raw water. We believe that the lake can supply only 100 MGD. The Corps of Engineers says that the lake can supply 130 MGD. The raw water supply is not the amount of water in the lake. It is defined as the amount of water that the Corps allows to be pumped, which is the space between the elevations of 515 feet and 538 feet above the mean sea level as measured at the dam. The estimated volume of this amount is 160,000 acre-feet. In 2003 Black & Veatch, our water consultants estimated our needs in 2030 as 32.2 MGD with an average need of 19.6 MGD, well within our allowable draw of 24 MGD. An unscientific estimate for 2050 was an average need of 24 MGD, but this is not peak usage.

Mr. Robling asked Black & Veatch how the pipeline would work. They answered that Aquavisions probably would not build a plant at Lake Monroe and assumed that there would be 4 or 5 pumping stations between the lake and the south side of Indianapolis.

Aquavisions made their proposal to the City of Indianapolis on May 18th, stating that the pipeline would be capable of delivering 90 MGD. They claim to have a report which states that Indianapolis will have a raw water deficiency by 2015. Aquavisions proposed this as a non-profit venture. Beurt SerVaas is a major principal of the company, and he says he will construct the pipeline and sell it to the State at no profit. There would also be a 60 mile multiuse greenway. Someone would have to come up with a quarter billion dollars to purchase the pipeline from Aquavisions, and it is unlikely that Indianapolis would as they have already had some water and wastewater increases.

Governor Daniels has said he thinks this is a dubious project and a "non-starter."

Indianapolis Waterworks has passed a non-binding resolution to look into the pipeline and some other options.

Mayor Kruzan has put together a Team Water Supply. There will be discussions with the IDNR.

Even if Aquavisions and their proposal go away, this has raised a red flag. Reservoirs don't last forever. Some experts believe that Lake Monroe has a life span of 100 years although there is some disagreement about that. Even now, there may be problems underneath that we aren't aware of. All that water is tempting. We should determine if Black & Veatch's estimate of our water usage by 2050 is correct, and also consider our needs beyond that.

Mr. Vaught asked how the rights to the lake are handled, given that it is an attractive water supply and there may at some time be competing interests. Mr. Robling stated that the contract does not specify first come, first served. We are the major user although Bedford does have some rights. The State can apportion the water rights.

Ms. Sandberg asked, if Indianapolis is successful in their bid to take that amount of water from Lake Monroe, if it would reduce the shelf life of the lake. Mr. Robling stated that no one has said that but we don't really know, and there are environmental concerns if the maximum is drawn from the lake.

Mr. Henke asked if anyone had looked at the impact downstream. Mr. Robling said that that would need to be done. The Natural Resources Commission would make a recommendation. This is a difficult issue because everyone has an opinion and sometimes they are conflicting.

Mr. Henke stated that last week for several hours we were close to our 24 MGD permitted and that he thought we need to look at being able to treat more water. He asked if we could go over 24 MGD occasionally if we don't go over on average. Mr. Robling said we can do this without changing our contract. Mr. Henke asked Mike Bengtson about the worst case scenario and how long it would take to draw down our tanks at the maximum rate. Mr. Bengtson said we cannot utilize our entire capacity and our peaks are 1.6 times average.

Mr. Robling said that clearly we need to be concerned but we shouldn't panic. We will have to at some point look into the cost of increasing capacity.

Ms. Roberts stated that 45 years ago we sacrificed towns so that the lake could be built and that we have assumed local responsibility of guarding the watershed, so we should have more rights to the water than Indianapolis. Mr. Robling said that the federal government would decide. Our first discussion would be with the DNR. We have protected the lake and feel that it is ours. However, it would be a difficult position to take that we are drawing only 14 to 24 MGD and no one else can have water. Ms. Roberts asked about how this would affect development in Bedford and other towns in the area. Mr. Robling said that it would definitely affect the entire area.

Ben Beard representing Gentry Estates said that some years ago he was a member of an environmental constraints committee and someone mentioned Lake Monroe being a 100-year lake. He said they talked to the Corps of Engineers and were told that it was misinterpreted. The lake was designed to accommodate a 100-year flood before it goes over the spillway, and the anticipated lifetime is beyond that, and that it would take a couple thousand years to fill in the lake based on the siltation rate.

Mr. Swafford thanked Mr. Robling for coming and said we look forward to continuing work on this issue.

FUNDING REQUEST FOR REPLACEMENT OF AIR CONDITIONER IN DILLMAN ROAD ADMINISTRATION BUILDING

Deputy Director John Langley explained that about 6 weeks ago, one air conditioner compressor malfunctioned. A replacement compressor was ordered, and while waiting for delivery, another compressor went out. The contractor recommended that the entire unit be replaced. Permission was requested to get quotes for a new air conditioner estimated at about \$30,000.

Board Member Henke moved and Board Member Sandberg seconded the motion to approve getting quotes for replacing the air conditioning system at Dillman Road administration building.

Mr. Swafford inquired how old the current system was. Mr. Langley thought it was 11 or 12 years old.

Motion carried, 6 ayes, 1 member absent (Ehman).

FUNDING REQUEST FOR COST SHARING WITH LAKE LEMON CONSERVANCY DISTRICT FOR DAM INSPECTION SERVICE

Mr. Langley stated that the Lake Lemon dam is classified as a high hazard dam, which means that there are certain obligations to safeguard the community from catastrophic failure. One requirement is inspection on a regular cycle, which we have been cost-sharing with Lake Lemon Conservancy District. The contract to share costs has lapsed. Lake Lemon Manager, Robert Madden, had presented Mr. Langley with a letter from the DNR strongly recommending that the sluice gate be inspected thoroughly. Mr. Langley did not know the date the internal workings of the sluice gate had last been inspected. The LLCD has retained a professional firm for the inspection. The cost is \$8000 plus a base fee of \$3000. Mr. Langley recommended that we share the cost because it will give us information that we do not now have, and hopefully, we will learn that we don't need to spend any more money. Our share will be \$4000.

Board Member Sandberg moved and Board Member Roberts seconded the motion to approve funding the cost sharing with the LLCD for the inspection of the sluice gate. Motion carried, 6 ayes, 1 absent (Ehman).

REQUEST FOR 90-DAY EXTENSION OF ILLINOIS CENTRAL QUARRY SPRING WATER TREATMENT FUNDING AGREEMENT

Mr. Langley reminded the Board that no money is budgeted in 2007 for the operation of this plant. However, the negotiations for the PCB settlement have gone slowly. We anticipate that we will need to operate this plant in cooperative agreement with the United States, the State of Indiana, and CBS Corporation for a period not to exceed three more months. The City's portion under the sharing agreement is approximately \$14,100 for the next 90 days. Additionally, \$45,000 would be needed to replace the original carbon vessels. While we plan to take a closer look, the carbon should have expired in 11 or 12 years, and that time period has elapsed. Preliminary PCB data from the carbon filtration units indicates that they are nearing full capacity.

Our portion under the cost sharing agreement is \$11,100.

Board Member Henke moved and Board Member Roberts seconded the motion to approve funding the cost sharing.

Mr. Vaught asked if, when the agreement is completed, will the party who ends up paying for the operation of the plant reimburse us for our expenses during this 90-day period. Mr. Langley said he did not believe that this was their intent, and there is no mechanism in law for us to engage in any sort of cost recovery. Negotiations have broken down and the central theme is recovery of past costs. There are rumors that the State was asking for cost contributions but has withdrawn the request. Mr. Vaught and Mr. Swafford both asked that Mr. Langley request cost recovery because the others are requesting it. Mr. Henke asked how we have budgeted this. Mr. Trexler responded that it was wastewater. Ms. Roberts asked who will pay for operation of the plant when we stop paying. Mr. Langley said it was hoped that CBS would, although he could not say that he would never again ask for operating funds for the plant. It is not our responsibility to run the plant and we believe the polluter should pay. Mr. Henke asked about the operation of the plant and if it was still collecting PCBs. Mr. Langley stated that when there is a big rain event, the water comes up in Lemon Lane. There are still concentrations of PCBs which wash out during a storm. The plant is not quite large enough, and part of the contemplated remedy is to install an additional passive carbon treatment system. The plant is very effective at removing PCBs and will continue to do so if the carbon is replaced.

Motion carried, 6 ayes, 1 absent (Ehman).

AGREEMENT FOR PROFESSIONAL SERVICES FOR REPAIR OF DILLMAN EQUALIZATION BASIN LINER

Assistant Director of Engineering Mike Bengtson stated that the equalization basin at Dillman Road had been built in 2000-2001 as part of our wet weather program. One corner of the basin has been a chronic problem. Air currents pick up the liner which causes the liner to rip. The liner has been patched several times. A storm last spring ripped the liner out of the berm. We would like to use Strand & Associates for a solution to this problem. The amount of \$40,000 covers the entire remedy, not just design work. It will include design, construction, and inspection services.

Board Member Henke moved and Board Member Sandberg seconded the motion to approve funding for the Agreement with Strand & Associates.

Mr. Vaught asked if they had looked into ways of diverting the air currents. Mr. Bengtson said he did not think that could be done but they would certainly consider it. Mr. Swafford asked if they planned to replace the entire liner. Mr. Bengtson responded that no, they plan to replace only that problem section.

Motion carried, 6 ayes, 1 absent (Ehman).

AMENDMENT E TO BLACK & VEATCH ENGINEERING SERVICES CONTRACT FOR MONROE WATER TREATMENT PLANT IMPROVEMENTS

Mr. Bengtson informed the Board that Amendment D had lapsed on June 15th¹ and that Black & Veatch had been working without a contract. The contract is for completion of the project to a point of substantial completion, and duties after that to take it to final completion, with full time services up to August 31st. This is based upon their last schedule. The final completion would be November 15th, based upon what we've seen so far. We are holding \$700,000. We have refused to pay them \$300,000 and the rest is in escrow. The liquidated damages will be around \$320,000, which will increase. When the project is substantially complete, the liquidated damages will decrease from \$1000 to \$750 per day. We are making progress, albeit slow.

Board Member Vaught moved and Board Member Henke seconded the motion to approve Amendment E. Motion carried, 6 ayes, 1 absent (Ehman).

CONTRACT FOR WATER MAIN INSTALLATION CREDIT FOR CARDINAL GLENN PHASE 2
(ADDITIONAL CREDIT)

Mr. Bengtson stated that Cardinal Glenn is on South Walnut Street Pike. Our rules provide that a developer can enter into a contract with us to receive installation credits based upon the number of homes being developed. The developer can also come back for second credit at the end of the fourth year. The first credit is for 60% of the lots and the second for the remaining 40% when they are developed. The first credit was \$8000 and the second would be \$5000. The value of the system installed is \$42,000 which will become one of our assets.

Board Member Henke moved and Board Member Roberts seconded the motion to approve the contract for water main installation credit for Cardinal Glenn Phase 2.

Mr. Henke asked if this expenditure was budgeted. Mr. Bengtson replied that yes, it had been budgeted for.

Motion carried, 6 ayes, 1 absent (Ehman).

APPROVAL OF CONTRACT FOR PAGER LEASING AND AIRTIME SERVICES FROM USA
MOBILITY

Purchasing Manager Julie Martindale stated that quotes for pager services were requested from three companies, with a 2-year contract from USA Mobility being the lowest by \$3310.

Board Member Sandberg moved and Board Member Henke seconded the motion to approve the contract for pager leasing from USA Mobility.

Mr. Swafford asked if we own the pagers. Ms. Martindale responded that we do not own them and it has been better to lease because of the number that become damaged and have to be replaced.

Motion carried, 6 ayes, 1 absent (Ehman).

OLD BUSINESS

No old business was presented.

NEW BUSINESS

No new business was presented.

SUBCOMMITTEE REPORTS

No subcommittee reports were presented

STAFF REPORTS:

Director Murphy invited the Board to attend the City Council meeting the next evening when the budget would be presented to the Council. Mr. Swafford will attend.

Mr. Trexler presented the Board with a summary of fund balances. The report shows that we have accrued a significant balance based on bond proceeds. These will be invested until needed, the first

payment being due January 1, 2007. The transfers out represent the monthly accrual of bond payments. Although the payments are made only twice a year, money is taken from the O & M fund every month and deposited into the sinking fund so that interest can be earned on that money.

Mr. Murphy will be on vacation for the next two weeks.

PETITIONS AND COMMUNICATIONS

Ben Beard explained that he had not meant to sound cavalier about life of Lake Monroe. He also mentioned that the Corps of Engineers had told them that the causeway had an unintended benefit, in that it separates the upper part of the lake from the lower part, thus impeding the long-term effects of siltation.

ADJOURNMENT

The meeting was adjourned at 6:20 p.m.

L. Thomas Swafford, President